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ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

Total domestic products are estimated to have been supplied at a 578 MBD (3.5%) lesser rate in January than year-earlier levels. All but about 100 MBD of the decline is attributable to lower levels of residual fuel oil deliveries.

Crude oil production was about 59 MBD below last-year levels, mainly as a result of an interruption in movements through the Alaskan pipeline. Imports fell about 17% from January 1984 levels; more than half of the decline was caused by lower imports of residual fuel oil. Inventories fell about 44 million barrels, some 20 million barrels more than the seasonal decline in recent years, mainly because of a substantial reduction in crude oil inventories and a counterseasonal drop in gasoline stocks.

The count of active rigs fell about 8% compared with January 1984 levels. January well data, to be issued on the new "month-of-completion" basis, are not yet available. Preliminary figures indicate that, for 1984 as a whole, wells reported drilled rose more than 7%.

PRODUCTS SUPPLIED[1/]

Gasoline

UP ABOUT 1.6% FROM LAST JANUARY'S LEVEL.

Deliveries of gasoline rose 100 MBD (1.6%) over January 1984 levels, continuing the trend of lower year-to-year increases experienced since mid-1984.

Gasoline prices fell more than 2¢ during January and, when adjusted for inflation, are currently about 29% below the high experienced in March 1981.

On the basis of continued declines in gasoline prices and rising disposable personal income, miles traveled should have risen meaningfully, and gasoline demand - if engine efficiency had remained the same - risen proportionately. From 1982 to date, for example, the combination of falling gasoline prices and higher real disposable personal income should have raised gasoline demand by roughly 10%. However, deseasonalized gasoline demand over the past several months has only been about 3% over average 1982 levels, indicating that engine efficiency provided a roughly 7% offset in that period.

Unleaded gasoline's share of the gasoline market, at close to 63%, is more than 5 percentage points ahead of last January's. High levels of new car sales have not abated, continuing to support the demand change to unleaded gasoline.

Distillates

DOWN 4½% COMPARED WITH LAST JANUARY.

Distillate deliveries declined 156 MBD (4.5%), mainly as a result of changes in purchase patterns by holders of secondary storage. While both January 1984 and January 1985 experienced below-normal temperatures, the weather this year was about 3% colder than a year ago. This weather variance should have increased distillate demand slightly - by perhaps 20-30 MBD.

Last January experienced considerable replenishment of non-primary inventories, while there are indications that these

stocks were being drawn down this January. These differences in purchase patterns are estimated to have resulted in a 125-150 MBD reduction in deliveries from primary storage.

Truck traffic levels are estimated to have been minimally below January 1984 levels; however, rail traffic was up some 6%, leaving combined diesel demand at roughly the same level as last year. These segments' diesel requirements have fallen somewhat from high mid-1984 levels, however, as the economic recovery moderated.

Residual Fuel Oil

DOWN 24% FROM JANUARY 1984 LEVELS.

Residual fuel oil was supplied at a 473 MBD (23.9%) lesser rate than a year ago. The substantial decline resulted mainly from lower deliveries to electric utilities and industrial customers. Somewhat lower bunker fuel deliveries and non-primary inventory changes contributed to the overall decrease.

Latest available data indicate that increases in bunker fuel demand in the second half of 1984 were partially offsetting first half decreases. However, recent world shipping activity, in part because of lower petroleum shipments, may have declined somewhat. The adverse effect on U.S. bunker fuel demand is estimated at about 10-20 MBD.

Electric utilities are likely to have reduced purchases of residual fuel oil in January by about 200 MBD, even though electricity generation increased compared with last January's level. Decreases have been recorded in almost every month since March of 1984.

Prices for residual fuel oil continued to be strong relative to those of other petroleum products. While, overall, natural gas prices had been relatively stable over the past 1½ years, contract renewals have often been at lower prices, partly because of special marketing programs and growing spot market sales. The price of imported gas has also been lowered considerably. As a result, prices during the last few months for which data are available have shown a generally-downward trend, with both producer and retail natural gas prices falling slightly.

Deliveries of residual fuel oil to the industrial sector suffered an estimated decline of more than 100 MBD as a result of the continuing strength of residual fuel oil prices and a moderation of economic activity. With most new and replacement industrial boilers having dual-fuel capability, some industrial accounts may well have taken advantage of recent months' downward trend in natural gas prices to switch to that fuel source.

A decrease of more than 100 MBD is estimated to have occurred because of changes in deliveries into non-primary storage. Last January followed an extremely cold December, requiring replenishment of depleted customer inventories. While this January was in fact slightly colder, December 1984 had much milder weather than normal.

Kerosine Jet Fuel

3% ABOVE A YEAR AGO.

Deliveries of kerosine jet fuel rose a mere 3% in January, considerably below recent-month increases. While weather was harsh, similar conditions prevailed last year, eliminating this factor as a major retardant of year-to-year increases. One of the reasons may have been the changing pattern of stock replenishments by airport operating companies. Another cause is the apparent diversion last January of sizable amounts of kerosine jet fuel to distillate use in order to alleviate the temporary tightness of distillate availability.

Miles flown during the last quarter of 1984 were an estimated 10% ahead of the corresponding 1983 quarter. With heavy promotion of incentive fares since mid-January, there is good reason to believe that air traffic levels continued to be high during January.

Other Oils

DOWN ABOUT 3%.

Deliveries of "other-oils" declined 117 MBD (2.9%) in January. Asphalt and road oil deliveries — about 12% of "other-oils"—rose during the October/November period (latest data available) over year-earlier levels. The increase was generated largely by a higher level of state and local highway construction and repair. This activity is financed in part by state motor fuel tax increases during the past few years. Funds from the 5¢ per gallon increase in federal motor fuel excise taxes, effective April 1, 1983, have not yet been allocated to individual states for road building and maintenance purposes.

A portion of the January decline is likely to have occurred in the petrochemical feedstock sector, in part related to moderating chemical activity. During the three-month period ending in November (latest month available), sales for this segment of the "other oils" category fell about 100 MBD versus the corresponding 1983 period. This downtrend is not out of line with the pattern of chemical sales activity. Strong chemical sales increases early in 1984 started to moderate at mid-year, matching - and eventually falling short of - late 1983 activity levels. It is estimated that January levels of chemical sales failed to match last year's pace, adversely affecting purchase levels of feedstocks by that industry.

Another reason for the decrease in "other oils" is the continuing high levels of imports of major chemicals into the U.S. Imports of the four chemicals representing the largest chemical imports for which volumes were reported during the two-month period ending in November 1984, for example, rose by more than a quarter over the corresponding 1983 period.

(In millions of B/D)	JANUARY ESTIMATES		
	1985	1984	% Change
—Total domestic products supplied	16.2	16.7	(3.5)
—Motor gasoline supplied	6.4	6.3	1.6
—Distillate fuel oil supplied	3.3	3.5	(4.5)
—Residual fuel oil supplied	1.5	2.0	(23.9)

PETROLEUM SUPPLY [1/]

Total supply was 932 MBD below January 1984 levels, with a 62 MBD decrease in total domestic supply adding to the 870 MBD decrease in imports.

Production

FELL ALMOST 1%. Crude oil production fell 59 MBD (0.7%) in January. Production in Alaska was adversely affected by an interruption in pipeline flow to remedy an operational problem, which reduced average January Alaskan output by some 100 MBD. Lower 48 production experienced a 40 MBD increase.

A 78 MBD increase in natural gas liquids production over January 1984 levels resulted from higher natural gas production levels which also experienced year-to-year increases in recent months.

Imports

DOWN 17% FROM YEAR-EARLIER LEVELS. Total imports fell 870 MBD (16.9%). Uncertainty continued to plague world oil markets, causing a 269 MBD drop in crude imports into the U.S. Product imports fell 601 MBD, a decrease caused largely by a roughly 50% drop in residual fuel oil imports. The continuing U.K. coal strike, and the adverse effects of often-record cold weather on European refinery production—while simultaneously raising consumption levels—kept resid prices at high levels in Europe. At the same time, deliveries in the U.S. declined.

Imports of gasoline and gasoline components are estimated to have increased 80-100 MBD, or by about one-third, in January over last year's level, while distillate imports fell about 12%.

Mexico was the leading source of U.S. petroleum imports in November 1984 (latest month available), followed by Canada, the United Kingdom, Venezuela, and Indonesia. The standing is the same for 11 months of 1984, except for a switch in the positions held by the United Kingdom and Venezuela.

Preliminary figures indicate that the U.S. trade deficit almost doubled in 1984 over 1983 levels. The value of petroleum imports — about one-sixth of total imports — showed an increase of about 7%, despite a small drop in the average price. Oil's share of the total deficit dropped from about 85% to less than 50% of total, however. The high exchange rate of the dollar in relation to other currencies also encouraged importation of chemicals, electronic equipment, cars, and other manufactured goods.

Inventories

IN LARGER-THAN-SEASONAL DECLINE. Total inventories fell about 44 million barrels in January, some 20 million barrels above recent-year experience. Gasoline inventories experienced some further downward adjustments; they fell some 8 million barrels versus a roughly equal increase normal for this time of year. Distillate inventories fell some 15 million barrels, significantly less than normal for this time of year. That the below-normal drawdown at the primary level occurred despite extremely cold weather conditions indicates that holders of secondary storage apparently permitted inventories to fall by about 100 MBD. Primary inventories of distillate, however, are still more than 23 million barrels above January 1984 levels. Crude oil inventories fell about 8 million barrels from last month's level, essentially because of lower imports related to continuing world market uncertainties.

Operations

OPERABLE CAPACITY LEVELS REDUCED. To recognize further refinery closings, operable capacity levels shown in the attached table have been reduced from those previously used. For January, they were almost 420 MBD below year-earlier levels. The net effect of reduction in refinery capacity and lower input accounts for the roughly 1 percentage point improvement in the refinery utilization rate over January 1984's level.

Exploration

RIG ACTIVITY AT LOWER LEVELS. Rig activity fell 8% from the January 1984 count to the lowest January level since 1979. The decrease is largely attributable to cold and wet weather which reached far south into the Gulf Coast states, affecting drilling activities. January well data are not yet available. This is the first month in which reports will cover actual month-of-completion figures.

For the year 1984, preliminary reports indicate that the number of wells reported drilled rose 7.5% and footage drilled about 6.9%. It is interesting to note, however, that while the number of oil wells reported drilled rose more than 10%, the increase in gas wells was less than 0.5%. The number of exploratory oil wells reported drilled rose almost 16%, while gas wells fell 20%, demonstrating substantial differences in the incentives for further exploration.

(In millions of B/D)	JANUARY ESTIMATES		
	1985	1984	% Change
—Total supply	15.4	16.4	(5.7)
—Crude production[2/]	8.7	8.8	(0.7)
—Crude oil imports[3/4/]	2.6	2.8	(9.5)
—Product imports	1.7	2.3	(25.9)

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 457 million barrels as of January 31, 1985).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	JANUARY					
	1985[1]	1984[2]	% Change	1985[3R]	1984[2]	% Change
Products Supplied:						
Total motor gasoline	6,368	6,268	1.6			
Finished leaded motor gasoline*	2,364	2,662	(11.2)			
Finished unleaded motor gasoline*	4,004	3,606	11.0			
Naphtha-jet	220	190	15.8			
Kerosine-jet	1,034	1,004	3.0			
Distillate fuel oil	3,334	3,490	(4.5)			
Residual fuel oil	1,508	1,981	(23.9)			
All other oils[4]	3,890	4,007	(2.9)			
Reclassified[5]	- 204	- 212	(3.8)			
Total domestic products supplied	16,150	16,728	(3.5)			
Exports	705	575	22.6			
Total products supplied	16,855	17,303	(2.6)			
Supply:						
Domestic production:						
Crude oil[6]	8,737	8,796	(0.7)			
Natural gas liquids	1,663	1,585	4.9			
Other supply[7]	755	836	(9.7)			
Total domestic supply	11,155	11,217	(0.6)			
Imports:						
Crude oil, total	2,560 10/	2,829 10/	(9.5)			
Canadian	212	293	(27.6)			
Other	2,348	2,536	(7.4)			
Products, total	1,717	2,318	(25.9)			
Residual fuel oil	552	1,061	(48.0)			
Other	1,165	1,257	(7.3)			
Total imports	4,277	5,147	(16.9)			
Total supply	15,432	16,364	(5.7)			
Stock change, all oils	-1,423	- 939	XXXX			
Refinery Operations						
Input to crude oil distillation units	11,676	11,799	(1.0)			
Operable capacity	15,778	16,196	(2.6)			
Refinery utilization (%)[8]	74.0%	72.9%	1.5			
Crude oil runs	11,528	11,579	(0.4)			

Stocks (millions bbls.)	1985	1984	1984[2]	% Change from ...	
	Jan. 31[9]	Dec. 31[9]	Jan. 31	Previous Month	Year Ago
Crude oil 10/	328.8	337.0	348.4	(2.4)	(5.6)
Unfinished oils	99.1	96.6r/	110.8	2.6	(10.6)
Total motor gasoline**	233.5	241.1r/	225.5	(3.2)	3.5
Finished leaded motor gasoline*	88.1	91.5	92.3	(3.7)	(4.6)
Finished unleaded motor gasoline*	108.8	110.5r/	93.3	(1.5)	16.6
Naphtha-jet	6.5	7.1	6.3	(8.5)	3.2
Kerosine-jet	35.7	37.1r/	29.3	(3.8)	21.8
Distillate fuel oil	142.8	158.2r/	119.5	(9.7)	19.5
Residual fuel oil	47.6	54.2	45.4	(12.2)	4.8
All other oils	155.7	162.5r/	160.3	(4.2)	(2.9)
Total all oils	1,049.7	1,093.8r/	1,045.5	(4.0)	0.4

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source:
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.